

CCM 2014 Testimony

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PLANNING & DEVELOPMENT COMMITTEE

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The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 92% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

SB 38, "An Act Concerning the Interest Rate on Delinquent Property Taxes"

CCM opposes SB 38

SB 38 would give municipalities the "option" to charge interest in the range of 15% to 18%, to delinquent property taxpayers, instead of the current uniform rate of 18%.

Although SB 38 is voluntary in appearance, it is a *de facto* mandate, in that, as a practical political matter, a town or city will be required to reduce the interest rate. This could open up a \$10 million hole in municipal budgets during a time when our poorer communities, in particular, are barely holding on.

FACT: Residents pay higher fees for delinquent state taxes, because towns do not charge a penalty. For instance:

	Delinquency	Penalty	Interest	Amount Owed After One Month
Property Tax	\$10,000	0	1.5% per month	\$150.00
State Income Tax	\$10,000	10%	1% per month	\$1,100.00
State Sales Tax	\$10,000	15% or \$50, whichever is greater	1% per month	\$1,600.00

Municipal officials understand the desire to provide property tax relief during these challenging fiscal times. Indeed, CCM is a leading advocate for meaningful property tax relief in Connecticut.

Towns and cities continue to face challenging times, and municipalities continue to make towns difficult budget cuts and spending decisions. In Connecticut's central cities and poorer towns, the situation is increasingly grave and dire. Although, deep cuts in services and significant layoffs have occurred in these communities, municipalities must still provide the services residents depend on for education, public safety and infrastructure maintenance, regardless of the economy.

SB 38 would further negatively impact municipalities by in effect requiring a town or city that lowered the interest rate on delinquent taxes to reduce the interest rate charged on other delinquent property taxes as is required by law. These would include 1) sewer system installation and collection assessments; 2) assessments imposed on blighted housing; and 3) fees and assessments charged to residents of certain districts within municipalities.

The logic behind the delinquent interest rate is to encourage on-time payment of taxes, on which the financial health of municipalities depends. It also serves to compensate towns and cities for the financial loss that occurs from not having revenue paid in a timely manner. When you reduce incentives for persons to pay taxes on time, you impact taxpayers who pay their taxes on time – persons who are paying their fare share. These law-abiding taxpayers end up paying higher taxes to make up for those who aren't paying at all.

The municipal tax delinquency rate is lower than that of the State. SB 38 is an issue the State should not weigh in on – at least in the method proposed.

We all want to reduce property taxes, which, in turn, reduce the likelihood of taxpayer delinquency. The better approach would be to enact meaningful property tax reform.

CCM urges the Committee to oppose SB 38 and instead focus on comprehensive property tax reform as a way to assist all hard-pressed taxpayers. It's the fairest way to provide relief during this very difficult period.

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If you have any questions, please contact Randy Collins, Senior Legislative Associate for CCM, at rcollins@ccm-ct.org or (860) 707-6446.